

Disposition of Prior Year Audit Recommendations

The following audit recommendations are summarized from the Statewide Audit for Fiscal Years 1997 through 2002 and include only the recommendations not implemented as of Fiscal Year 2002. The Statewide Audit includes both financial audit and Single Audit recommendations. In addition, as part of the Statewide Audit for Fiscal Year 2003, we followed up on the 1998 performance audit of the Colorado Water Conservation Board, Construction Loan Program, and the 2001 financial review of the Department of Military and Veterans Affairs. The dispositions of those recommendations are also included below.

Report and Rec. No.

Recommendation

Disposition

Department of Corrections

2002 Single Audit
Rec. No. 1

Establish a policy for recording the value of donated property.

Implemented.

Department of Health Care Policy and Financing

2002 Single Audit
Rec. No. 24

Ensure payments are made only for allowable costs under the Medicaid program by (a) continuing to monitor and document the results of the newly established procedures to randomly test pharmaceutical providers' compliance with requirements for maintaining chronological logs of the Medicaid recipient signatures and (b) performing periodic reviews of services that require prior authorization and ensuring that Medicaid Management Information System (MMIS) system edits are properly identifying and denying services lacking the required authorization.

- a. Partially implemented. See current year Recommendation No. 28.
- b. Implemented.

**Report and
Rec. No.**

Recommendation

Disposition

2002 Single Audit
Rec. No. 25

Strengthen controls over the data in systems used as the basis for determining beneficiaries' eligibility to receive Medicaid services by (a) performing random testing of eligibility information in the Client-Oriented Information Network (COIN) and Trails systems and making corrections as appropriate, and (b) establishing procedures to ensure that COIN is updated accurately to reflect the date of death for all beneficiaries and that payments that are made after the beneficiary's death are recovered from providers.

- a. Not implemented. See current year Recommendation No. 27.
- b. Partially implemented. See current year Recommendation No. 27.

2002 Single Audit
Rec. No. 26

Continue to improve controls over provider eligibility by (a) requiring the fiscal agent to review all provider files to ensure each file includes a current provider agreement and documentation of applicable provider licenses and registrations, (b) revising control procedures to ensure expenditures are made only to eligible providers, and (c) developing procedures to update provider licensing information on an annual basis to ensure its accuracy for changes that occur throughout a given year.

Partially implemented. See current year Recommendation No. 29.

2002 Single Audit
Rec. No. 27

Date stamp all rate revisions and reviews when received and all rate information sent to provider facilities.

Implemented.

**Report and
Rec. No.**

Recommendation

Disposition

2002 Single Audit
Rec. No. 28

Require that the fiscal agent generate accurate claims summary reports for settling all hospital outpatient service claims payments within a specified time frame. If reports meeting the Department's requirements are not produced within the time frame, the Department should assess liquid damages against the fiscal agent.

Partially implemented. The Department's fiscal agent began generating claims summary reports in Fiscal Year 2003 for the backlogged years as far back as 1998. These reports did not contain accurate clinic data, since the reports were run under 2003 regulations versus the regulations that were in effect when the services were provided. The Department is able to recover the appropriate clinic data for the fiscal years outstanding by reloading the archived claims data and is forwarding it to its fiscal intermediary as it is recovered. The fiscal intermediary is conducting cost settlements as these data are received.

2002 Single Audit
Rec. No. 30

Implement procedures to ensure that only allowable costs for Residential Treatment Centers (RTC) services are paid by verifying the accuracy of RTC provider billing and payment information through periodic audits, requiring additional Medicaid Management Information System (MMIS) payment edits, and seeking to recover overpaid amounts.

Implemented.

**Report and
Rec. No.**

Recommendation

Disposition

2002 Single Audit
Rec. No. 31

Follow up on the results of the data match performed by the Office of the State Auditor between the Colorado Indigent Care Program (CICP) and the Medicaid program, and seek reimbursement as appropriate.

Partially implemented. In its original response to the audit recommendation, the Department stated that it did not plan to contact providers regarding the results of the data match, but that it would work to eliminate or minimize the problem in the future. The Department stated that it would clarify language in the CICP Program Manual that outlines procedures and policy regarding claims filed to both Medicaid and CICP, and Medicaid eligibility more generally. These changes have taken place.

2002 Single Audit
Rec. No. 32

Ensure that applicants for the Colorado Indigent Care Program are screened for Medicaid eligibility in all appropriate instances by training providers on Medicaid eligibility screening procedure.

Implemented.

2002 Single Audit
Rec. No. 33

Ensure post-year-end retroactive adjustments are made to charges for the Colorado Indigent Care Program by developing and implementing procedures for providers to report these adjustments.

Implemented.

**Report and
Rec. No.**

Recommendation

Disposition

2002 Single Audit
Rec. No. 34

Reduce the projected Fiscal Year 2002 payment for University Hospital to reflect the provider's overbilling of the State related to the Medicare contractual adjustments of approximately \$6.7 million, and work with the Centers for Medicare and Medicaid Services (CMS) to determine additional actions the State should take with respect to prior overpayments.

No longer applicable. Based on the revised ruling by CMS, Medicare contractual adjustments can be included as uncompensated provider costs and used as the basis for Disproportionate Share Hospital reimbursement. Therefore, the Department did not need to adjust University Hospital's Fiscal Year 2002 prospective payment to reflect the \$6.7 million in Medicare contractual adjustments we identified during our audit.

**Report and
Rec. No.**

Recommendation

Disposition

2002 Single Audit
Rec. No. 35

Ensure charges submitted for the Colorado Indigent Care Program (CICP) are consistent with the program's intent and reported on the same basis for all providers by (a) developing formal policies regarding the basis for reported charges and how contractual adjustments and other adjustments should be treated and (b) performing periodic on-site testing of charges and related adjustments.

- a. Implemented.
- b. Partially implemented. The Department has made extensive revisions to the CICP Provider Audit requirements effective Fiscal Year 2003. Among these changes is the addition of an administrative audit provision which puts providers on notice that they are subject to audit by the Department or an agent of the program. However, the Department reports that no such audits have been conducted to date due to lack of resources.

2002 Single Audit
Rec. No. 36

Develop and implement controls over the reimbursement process for the Colorado Indigent Care Program (CICP) by (a) applying the reimbursement methodology consistently to all providers within each CICP provider category and documenting the reasons for any exceptions; (b) obtaining audited information on which to base providers' cost-to-charge ratios; (c) requiring, in instances where audited information is not available, that providers submit all necessary supporting documentation; and (d) informing providers about all policies and procedures related to determining provider reimbursements.

Implemented.

**Report and
Rec. No.**

Recommendation

Disposition

2002 Single Audit
Rec. No. 37

Improve controls over the certification process for the Colorado Indigent Care Program (CICP) by (a) formally documenting annual comparisons of certified public expenditures by each provider to the provider's actual CICP write-off costs, (b) obtaining confirmation from the federal Centers for Medicare and Medicaid Services (CMS) on whether shortfalls in certified expenditures under Component 1A may be offset by excess certifiable expenditures under a different amendment to the State Plan, (c) informing providers of the purpose of certification and that expenditures cannot be certified if they are reimbursed by other federal funds, and (d) requiring that providers include an assurance in each quarterly certification letter stating that no federal funds were received as reimbursement for the certified expenditures, other than those through CICP.

Parts a. and b: Not implemented. In its response in the audit report, the Department stated that it would contact CMS regarding shortfalls in certification from one State Plan amendment to another; however, the Department reports that it has not contacted CMS regarding this.

Parts c. and d: Implemented.

2001 Single Audit
Rec. No. 38

Ensure payments are made only for allowable costs under the Medicaid program by (a) ensuring that Electronic Data Interchange (EDI) agreements are current, (b) ensuring that pharmaceutical providers are maintaining signature logs for prescriptions dispensed to Medicaid recipient signatures and that credits are received for prescriptions not claimed within 14 days, (c) ensuring that only authorized transportation services are provided, and (d) ensuring that all services requiring prior authorization are screened through Medicaid Management Information System (MMIS) edits before payment is made.

a. Partially implemented. See current year Recommendation No. 29.

b. Partially implemented. See current year recommendation No. 28.

c. Implemented.

d. Implemented.

**Report and
Rec. No.**

Recommendation

Disposition

2001 Single Audit
Rec. No. 40

Strengthen controls over the eligibility process for individuals under the Medicaid program by (a) ensuring all county departments of social services are maintaining current and complete files for Medicaid-eligible beneficiaries, (b) ensuring claims are not paid for an individual who is ineligible for benefits, and (c) performing periodic random testing of eligibility claims in conjunction with targeted reviews.

- a. Partially implemented. The Department reports that it will develop a comprehensive procedures manual for county departments of social services staff that includes proper case file maintenance procedures. The manual is scheduled for completion in the latter part of Calendar Year 2004, after the Colorado Benefits Management System (CBMS) has been implemented. In addition, the Department currently employs a contractor to recover Medicaid dollars for paid claims for dates of services beyond the recipient's date of death. See also current year Recommendation No. 27.
- b. Partially implemented. See current year Recommendation No. 28.
- c. Not implemented. See current year Recommendation No. 28.

**Report and
Rec. No.**

Recommendation

Disposition

2001 Single Audit
Rec. No. 41

Improve controls over provider eligibility by (a) requiring that the fiscal agent ensure each file includes documentation of a current provider agreement and applicable provider licenses and registrations, (b) ensuring expenditures are made only to eligible providers, and (c) formalizing a five-year strategic plan for provider reenrollment.

Partially implemented. See current year Recommendation No. 29.

2001 Single Audit
Rec. No. 44

Modify the Interagency Agreement with the Department of Human Services for single entry point subrecipient monitoring by (a) establishing procedures for conducting risk assessments for evaluating the need for an on-site financial compliance review and (b) requiring that all single entry point (SEP) entities receive an on-site financial compliance review within a reasonable period of time to ensure new and revised financial policies and procedures are being followed.

a. Partially implemented. A risk assessment is performed annually by the Department of Human Services. This assessment focuses on dollars at risk, length of time since the last review was performed, and other risk factors. The Interagency Agreement has not been modified to include this process.

b. Not implemented. The Department reports that it has been unable to secure funding to conduct on-site financial compliance reviews for all SEP agencies due to budget constraints.

**Report and
Rec. No.**

Recommendation

Disposition

2001 Single Audit
Rec. No. 45

Ensure claims processed through Medicaid Management Information System (MMIS) are accurate and allowable under the Medicaid program by (a) establishing performance measures for claims processing in terms of financial and procedural error rates; (b) conducting regular claims audits on at least a quarterly basis; (c) reporting all errors and problems identified in the claim audit, regardless of source, and calculating procedural and financial error rates both for the fiscal agent and for claims processing overall; and (d) ensuring corrective action plans are developed and implemented in a timely manner by both fiscal agent and Department staff for all issues identified in the claims audits.

- a. Implemented.
- b. Partially implemented. Calculations for timeliness began in the Department's October 2001 review for June 2001 claims. However, Claims Processing Assessment System reviews were suspended in the summer of 2002 due to reassignment of staff resources to manage budget reduction work as well as work on the Health Insurance Portability and Accountability Act of 1996 (HIPAA) rules implementation. It is expected the reviews will continue after the Transaction and Codes Sets implementation is completed.
- c. Implemented.
- d. Implemented.

2001 Single Audit
Rec. No. 47

Establish the review of Medicaid Management Information System (MMIS) edits, edit dispositions, and edit resolution text as a high priority.

Implemented.

**Report and
Rec. No.**

Recommendation

Disposition

2001 Single Audit
Rec. No. 48

Develop and implement adequate controls over the provider database in MMIS by establishing formal policies, procedures, and time frames for (a) routine reenrollment of Medicaid providers, (b) deactivation of providers who have not submitted claims to the Medicaid program for specified lengths of time, and (c) periodic data matches on provider credential information with other state agencies that regulate Medicaid providers.

- a. Partially implemented. See current year Recommendation No. 29.
- b. Implemented.
- c. Implemented.

2001 Single Audit
Rec. No. 50

Implement edits in Medicaid Management Information System (MMIS) to review laboratory claims for compliance with Clinical Laboratory Improvement Amendment (CLIA) requirements in accordance with state Medicaid policy.

Partially implemented. The plan for updating the system for CLIA issues was established in June 2001. However, the Department reports that it has been unable to complete changes due to time requirements for work on the Health Insurance Portability and Accountability Act of 1996 (HIPAA). The plan will be redrafted in December 2003 for inclusion in work to be performed in Fiscal Year 2004.

2001 Single Audit
Rec. No. 51

Work with the General Assembly to develop more appropriate service limits for Home and Community Based Services (HCBS) and home health services.

Implemented.

2001 Single Audit
Rec. No. 55

Work with the State's Fiscal Agent to implement additional system edits and controls. Further, the Department should perform ongoing reviews of the edits in place.

Implemented.

Report and Rec. No.	Recommendation	Disposition
2001 Single Audit Rec. No. 56	Evaluate the costs and benefits of combining assessment and eligibility determination, and establish an independent review of these processes.	Implemented.
1999 Single Audit Rec. No. 29	Ensure that all nursing facilities receive in-depth reviews of billing practices and personal needs funds on a systematic basis.	Implemented.
1999 Single Audit Rec. No. 30	Undertake a comprehensive review of high-risk programs that result in inappropriate payments, and modify policies and procedures to prevent payment of inappropriate claims.	Implemented.

Department of Higher Education

State Historical Society

2002 Single Audit Rec. No. 2	Perform a complete physical inventory at fiscal year-end or another specified time.	Implemented.
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University of Colorado Health Sciences Center

2002 Single Audit Rec. No. 38	Strengthen controls over the student reconciliation process. Specifically, (a) controls should be formalized into written policies and procedures and should be clearly communicated to Bursar's Office staff; (b) controls should be periodically reviewed to ensure they are being followed consistently and appropriately; and (c) the Office of the Bursar should work to clear outstanding reconciling items between the Student Information System, the loan servicer, and the general ledger, on a timelier basis.	Implemented.
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**Report and
Rec. No.**

Recommendation

Disposition

Colorado State University - Pueblo

2002 Single Audit
Rec. No. 39

For the Federal Perkins Loan Program (a) strengthen procedures to ensure that adequate documentation is obtained from borrowers to support financial hardship for deferment or cancellation of student loans, (b) modify its loan collection program to ensure that the date a student loan enters repayment status is calculated in accordance with federal guidelines, and (c) strengthen procedures to ensure that student withdrawal information is reported to the National Student Loan Data System for all students.

Partially implemented. The University implemented procedures to address parts (a) and (c) of the recommendation. In its effort to implement part (b), the University assessed its current software package, determined it could not be modified to provide the required functionality, and evaluated other available software packages. Although none of the packages met all its requirements, the University thinks a product possibly could be modified to provide the desired functionality. Because of reductions in funding and budget constraints, the University believes it is prevented from proceeding with any solution at this time.

Pikes Peak Community College

2002 Single Audit
Rec. No. 40

Establish procedures to ensure that professional judgments are clearly based on the supporting documentation received from the students and that the professional judgments are adequately documented, providing a clear audit trail.

Implemented.

Report and Rec. No.	Recommendation	Disposition
	Front Range Community College Trinidad State Junior College	
2002 Single Audit Rec. No. 41	Front Range Community College should establish procedures to ensure that all graduating Federal Direct Loan borrowers who do not complete exit counseling before graduating receive written exit counseling materials within 30 days following their graduation. Front Range Community College and Trinidad State Junior College should establish procedures to ensure that exit counseling is provided to borrowers who cease at least half-time attendance.	Implemented.
	Trinidad State Junior College	
2002 Single Audit Rec. No. 42	Establish procedures to ensure that the withdrawal dates of students who withdraw without providing notification are determined at the latest within 30 days after the end of the term.	Not implemented. See current year Recommendation No. 52.
	Front Range Community College	
2002 Single Audit Rec. No. 43	Establish procedures to ensure that the institution's portion of a student's unearned Title IV funds are returned within 30 days after the school has determined a student has withdrawn.	Not implemented. See current year Recommendation No. 51.
	Front Range Community College - Westminster	
2002 Single Audit Rec. No. 44	Establish procedures to ensure students are requested to repay required grant overpayments.	Implemented.

Report and Rec. No.	Recommendation	Disposition
Community College of Denver		
2002 Single Audit Rec. No. 45	Establish procedures to ensure that return of Title IV funds calculations are made properly and to ensure that the school's portion of the unearned aid is returned. This should include a review of all Title IV funds calculations during the period in question, and errors should be corrected and appropriate action taken.	Implemented.
Front Range Community College		
2002 Single Audit Rec. No. 46	Establish procedures to ensure that the proper institutional charges are used in the return of Title IV funds calculations.	Implemented.
Community College of Denver Pikes Peak Community College Pueblo Community College Front Range Community College - Larimer		
2002 Single Audit Rec. No. 47	Establish procedures to ensure that spring break is properly excluded from the return of Title IV funds calculations.	Implemented.
Pikes Peak Community College		
2002 Single Audit Rec. No. 48	Establish procedures to ensure that the Eligibility Certification Approval Report is kept available for review by auditors.	Implemented.

**Report and
Rec. No.**

Recommendation

Disposition

Trinidad State Junior College

2002 Single Audit
Rec. No. 49

Consider the need to automate the award packaging process, and consider the need for additional mitigating controls to ensure proper segregation of duties for carrying out the Student Financial Aid (SFA) programs.

Not implemented. Trinidad State Junior College began to evaluate this change. However, this is a long-term business process change that will require time.

Colorado Community College System

2002 Single Audit
Rec. No. 50

Evaluate the student financial aid findings noted above, and ensure all colleges are in compliance and have adequate internal control over the areas noted. Develop systemwide policies to address key student financial requirements such as return of Title IV funds and professional judgments.

Partially implemented. The system office appointed a central student financial aid coordinator to work with colleges to address findings and compliance issues. However, we noted a number of student financial aid findings this year.

2002 Single Audit
Rec. No. 51

Ensure funds are disbursed to subrecipients only on an as-needed basis, and only reimburse subrecipients for amounts expended on allowable costs, where the expenditures are adequately documented.

Implemented.

2002 Single Audit
Rec. No. 52

Strengthen monitoring procedures and the documentation over subrecipients receiving funds for the Carl Perkins - Vocational Education program.

Implemented.

2002 Single Audit
Rec. No. 53

Strengthen controls over its cash management process to ensure requests for reimbursement are for costs incurred.

Implemented.

Report and Rec. No.	Recommendation	Disposition
Colorado School of Mines		
2002 Single Audit Rec. No. 54	Develop subrecipient monitoring documentation policies and procedures to ensure that subrecipient files are properly maintained and monitored.	Partially implemented. See current year Recommendation No. 58.
2002 Single Audit Rec. No. 55	Follow the policies and procedures to ensure close-out procedures are documented for each project completed to prevent erroneous expenses from being charged to these projects and ensure compliance with all applicable laws and regulations.	Partially implemented. See current year Recommendation No. 59.
2002 Single Audit Rec. No. 56	Develop a process for reviewing financial aid awards to ensure that Pell Grants are awarded in the correct amount.	Implemented.
2002 Single Audit Rec. No. 57	Develop policies and procedures to help ensure that all communications with National Student Loan Data System are complete, accurate, and timely.	Not implemented. See current year Recommendation No. 60.
Colorado Student Loan Program		
2002 Single Audit Rec. No. 58	Ensure that all new processes affecting the default aversion fee billing system are adequately tested to avoid unforeseen impacts on the system and possible errors.	Partially implemented. See current year Recommendation No. 61.
2002 Single Audit Rec. No. 59	Develop procedures to ensure that default aversion fees are computed on the correct base amounts.	Partially implemented. See current year Recommendation No. 61.

**Report and
Rec. No.****Recommendation****Disposition**

2002 Single Audit
Rec. No. 60

Refund excess interest to borrowers, and develop and implement procedures to detect and correct interest calculation transactions.

Implemented.

Department of Human Services

2002 Single Audit
Rec. No. 3

Improve controls over the preparation of fiscal year-end exhibits submitted to the State Controller's Office to ensure that information is accurate and complete.

Not implemented. See current year Recommendation No. 8.

2002 Single Audit
Rec. No. 29

Implement procedures to ensure that only allowable costs for Residential Treatment Centers services are paid.

Implemented.

2002 Single Audit
Rec. No. 61

Continue to improve its cash management for federal programs by ensuring federal draws are made timely and in accordance with the Cash Management Improvement Act (CMIA) agreement.

Deferred. The Department reports that a new draw pattern has been established but is not effective until July 1, 2003.

2002 Single Audit
Rec. No. 62

Strengthen the payment review process within the Temporary Assistance for Needy Families (TANF) program to ensure expenditures are consistent with supporting documentation, paid timely and charged to the correct fiscal year, and coded to the proper account.

Partially implemented. We noted problems with the Department's recording of TANF expenditures prior to its full implementation of this recommendation.

2002 Single Audit
Rec. No. 63

Reinstitute and maintain a quality assurance review process over those children receiving in-home and short-term out-of-home Foster Care services.

Implemented.

**Report and
Rec. No.**

Recommendation

Disposition

2002 Single Audit
Rec. No. 64

Work to achieve a greater degree of accountability related to Medicaid-reimbursable case management services provided by child placement agencies.

Partially implemented. The Department scheduled reviews of Mental Health Assessment and Services Agencies (MHASA) contracts to be conducted during the fourth quarter of Fiscal Year 2003. Staff indicate they will continue the reviews during Fiscal Year 2004.

2002 Single Audit
Rec. No. 65

Ensure that child placement agencies (CPAs) are meeting state and federal requirements related to how public foster care funds can be spent.

Deferred. In April 2003 the Governor signed HB 03-1081 allowing licensing actions to be taken against facilities that misuse public funds. As of June 30, 2003, the Department had completed a financial audit of one CPA and contacted for financial audits of an additional six CPA's. The Department plans to review five CPA's each year beginning in January 2004. The Department's planned implementation date for this recommendation is in Fiscal Year 2004 (12/31/2003).

**Report and
Rec. No.**

Recommendation

Disposition

2002 Single Audit
Rec. No. 66

Ensure that counties pay child placement agencies (CPAs) a reasonable level of compensation based upon individual cost experiences by (a) modifying the rate-setting approaches used by the Department and counties, (b) collecting and analyzing information on licensed child placement agencies' cost experiences at least every two years and ensuring that administrative rates set by the Department and counties reflect these cost experiences, and (c) reviewing counties' methodologies for establishing administrative rates at least every two years to determine if they accurately reflect the cost experiences of CPAs.

a. The Department disagreed with this part of the recommendation and did not implement it.

b. and c. Partially implemented. The Department has taken preliminary actions to address this recommendation by obtaining information on county rate-setting methodologies. The Department plans to analyze information on CPA cost experiences at least every two years.

2002 Single Audit
Rec. No. 67

Ensure that the Department submits reimbursement claims that include all federal Title IV-E funds available to the State.

Partially implemented. The Department has worked with the counties to identify additional Title IV-E costs eligible for federal reimbursement and made additional claims for reimbursement. The Department reports it will ask providers to update information annually during the licensing process and that it will review child placement agencies' business classifications in Trails biannually for accuracy.

**Report and
Rec. No.**

Recommendation

Disposition

2002 Single Audit
Rec. No. 68

Ensure that counties' placement and data entry processes result in the Department's accessing all of the federal Title IV-E funds available to the State by (a) working with the U.S. Department of Health and Human Services to determine why states cannot receive Title IV-E reimbursements for children placed with for-profit Child Placement Agencies (CPAs) and whether any flexibility in this requirement exists; (b) evaluating the costs and benefits of requiring CPAs to be nonprofit organizations and proposing changes to statutes, as necessary; and (c) issuing a written policy to all counties in the State that details how counties should enter foster care rates into Trails.

Partially implemented. The Department determined from federal Health and Human Services representatives that the current requirements regarding allowability of Title IV-E CPA costs contain no flexibility as they are currently implemented. The Department is working with a contractor and CPA representatives to persuade for-profit CPAs to become non-profit CPAs. While the Department is providing training to county staff regarding data-entry into Trails, it has not issued a written policy detailing how counties should enter foster care rates into Trails.

**Report and
Rec. No.**

Recommendation

Disposition

2002 Single Audit
Rec. No. 69

Eliminate duplicate records within Trails, and enhance input controls by (a) performing regular search processes to identify possible duplicate records and communicating results to counties; (b) providing training to counties regarding the process of communicating duplication errors to the State; (c) following up with counties to ensure counties are actively resolving duplications; (d) implementing an outlined, specific methodology for county staff to use during the search process; (e) enhancing the system search engine; (f) implementing detection controls; and (g) establishing a process where referral information without a valid social security number would be considered a temporary record.

Parts a, b, c, d, and e:
Implemented.

Part f: Not implemented. The Department has not implemented detection controls within Trails that would avoid the duplication of Social Security Numbers or State IDs.

Part g: Not implemented. The Department has not established a process for referral information remaining temporary without a valid social security number and excluded from certain reports and processing.

2002 Single Audit
Rec. No. 70

Take immediate steps to investigate and resolve the \$650,000 in outstanding credits within the County Financial Management System (CFMS), and recover all overpayments. Perform testing of provider payments made through Trails and CFMS to determine the accuracy and validity of payments issued on the basis of Trails data.

Implemented.

**Report and
Rec. No.**

Recommendation

Disposition

2002 Single Audit
Rec. No. 71

Address interface problems between Trails and the County Financial Management System (CFMS) and improve controls over provider payments by (a) implementing modifications to correct provider matching issues between the two systems, (b) establishing provider payment limits that would allow counties to identify excessive payments, and (c) creating standard reconciliation processes to reconcile payments calculated by Trails to payments disbursed through CFMS and collect overpayments.

Partially implemented. The Department implemented a system modification to address provider matching between the two systems. The Department has also expanded its existing reconciliation procedures. However, based on the Department's consultation with county users who did not support the establishment of provider payment limits within CFMS or Trails, the Department did not establish payment limits in either system.

2002 Single Audit
Rec. No. 72

Ensure that funding source codes are accurate in the Trails system by (a) implementing a system modification to correct the erroneous reversal of funding source codes, (b) requiring that counties submit funding source codes adjustment forms for all errors identified, and (c) providing training to all fiscal staff and caseworkers on entering funding source codes.

Implemented.

**Report and
Rec. No.**

Recommendation

Disposition

2002 Single Audit
Rec. No. 73

Enhance the Trails system so that changes made by caseworkers do not inadvertently approve a suspended payment.

Partially implemented. The Department has initiated a pilot program in Pueblo County to address this issue and anticipates statewide implementation of the program by January 2004. The Department has also issued agency letters to all counties regarding new procedures for correcting any incorrect provider payments made as a result of inadvertent approval of suspended payments.

2002 Single Audit
Rec. No. 74

Ensure system problems with provider payments in Trails are addressed by (a) requiring that staff report all instances of improper payments to the Trails helpdesk, (b) requiring that the helpdesk notify all counties when system problems are identified, and (c) requiring that the helpdesk provide additional instructions to the workers when user errors are identified.

Implemented.

**Report and
Rec. No.**

Recommendation

Disposition

2002 Single Audit
Rec. No. 75

Ensure reports from the Trails system are accurate and meet requirements by (a) providing specialized training to appropriate county workers on reports, (b) working with the counties and other stakeholders to identify critical reports and other reporting issues, and (c) establishing procedures to solicit courts to accept one established format for court documents.

- a. Implemented.
- b. Partially implemented. The Department has identified all reports generated by Trails and has begun the process of prioritizing critical reports and correcting problems identified with certain reports.
- c. Partially implemented. The Department has contacted the Judicial Department and is conducting ongoing meetings to determine the acceptable format of court documents. However, the Department has not completed this process.

2002 Single Audit
Rec. No. 76

Continue to work with the Department of Health Care Policy and Financing to improve the interface between Trails, Client-Oriented Information Network (COIN), and Medicaid Management Information System (MMIS).

Ongoing. The Department is working with the Department of Health Care Policy and Financing to ensure that Medicaid information is accurately reflected in all state systems.

**Report and
Rec. No.**

Recommendation

Disposition

2002 Single Audit
Rec. No. 77

Establish adequate controls to ensure that Colorado Works diversion expenditures are in compliance with requirements and meet the program's intent by (a) reviewing diversion case files as part of its periodic and ongoing Temporary Assistance for Needy Families (TANF)/Colorado Works monitoring process at county departments of social services, and following up timely on issues identified; (b) using Client-Oriented Information Network (COIN) data on diversion payments to perform periodic risk analyses on counties' Diversion Programs and to perform other follow-up; (c) developing written policies defining appropriate expenditures for diversion and communicating these to county departments of social services; and (d) requiring that all counties identify policies in their annual county plans to identify and recover diversion overpayments and reviewing the implementation of recovery policies.

Implemented.

2002 Single Audit
Rec. No. 78

Institute a formal review process for county Colorado Works annual plans for diversion by (a) assigning staff to review annual county plans, (b) establishing a method for providing feedback to counties regarding appropriateness of their plans within a specified time frame and ensuring that required changes are made timely, and (c) determining counties' compliance with their county plans through ongoing case file reviews.

Implemented.

**Report and
Rec. No.**

Recommendation

Disposition

2002 Single Audit
Rec. No. 79

Take immediate steps to address the problems identified in the audit regarding county "transitional" programs under Temporary Assistance for Needy Families (TANF)/Colorado Works diversion including (a) conducting detailed case file reviews of recipients and payments under county transitional programs and addressing and resolving instances of noncompliance, and (b) ensuring that counties are adequately informed about the requirements for payments or services to appropriately be classified as "other assistance."

Implemented.

2002 Single Audit
Rec. No. 80

Verify identity and income information submitted by applicants for Colorado Works diversion by (a) processing all diversion applicants through the federal Income, Eligibility, and Verification System (IEVS) on a timely basis, (b) submitting all identified identity and income discrepancies to the counties for investigation and follow-up, and (c) requiring counties to address and resolve discrepancies identified through IEVS in a timely manner.

Not implemented. While all Temporary Assistance for Needy Families (TANF) applicants are entered into the Client-Oriented Information Network (COIN) system, IEVS data matches are only conducted on active cases. Since a majority of diversion cases are closed immediately after the applicant receives the diversion payment, these applicants are not matched through IEVS. The Department reports that the new Colorado Benefits Management System (CBMS) system, scheduled to be implemented in April 2004, will have the capability to run all cases through the IEVS system.

**Report and
Rec. No.**

Recommendation

Disposition

2002 Single Audit
Rec. No. 81

Ensure information in Colorado Works diversion case files is adequate by (a) establishing and communicating policies that outline the type of documentation to be maintained in county case files and (b) ensuring that counties implement existing state regulations requiring verification of specific applicant-provided information and other information affecting eligibility for diversion.

Ongoing. The Department is continuing to provide guidance to counties on the types of documentation necessary to be included in the case files for diversion recipients and to monitor case files to ensure that case files include appropriate documentation and verification consistent with Colorado Works rules.

2002 Single Audit
Rec. No. 82

Require that counties have policies in their county plans for granting any Temporary Assistance for Needy Families (TANF) benefits or services to county employees. Policies should ensure that eligibility determination is performed in compliance with requirements and that potential conflict-of-interest issues are addressed.

Partially implemented. The Colorado Works/TANF Division included a requirement in its 2003 county plan template for each county to document its policies related to county employees receiving TANF assistance, including diversion. The Division has developed a system to verify counties' inclusion of this requirement in their plans. However, the Division identified 14 counties that did not address this issue in their county plans. The Division reports that it is working with these counties to revise their plans to address this issue.

**Report and
Rec. No.**

Recommendation

Disposition

2002 Single Audit
Rec. No. 83

Ensure that counties sufficiently document information used to determine eligibility, calculate benefit amounts, and determine adherence to timeliness standards for the Low-Income Energy Assistance Program (LEAP) by (a) requiring applicants to provide a social security number and date of birth for all household members and (b) continuing to emphasize the importance of documentation in training sessions.

Implemented.

2002 Single Audit
Rec. No. 84

Improve the timeliness of the application process by (a) implementing a time requirement for providing Crisis Intervention Program services, (b) continuing to emphasize the importance of documenting actions taken on cases, and (c) evaluating the 50-day time requirement for processing standard Low-Income Energy Assistance Program applications.

a. Partially implemented. Although the Department continues to enforce rules requiring some form of assistance within 48 hours, the Department has decided not to implement time requirements for providing Crisis Intervention Program services.

b. Implemented.

c. Partially implemented. Although Department staff evaluated the 50-day time requirement, they did not reduce the number of days allowed for processing applications.

**Report and
Rec. No.**

Recommendation

Disposition

2002 Single Audit
Rec. No. 85

Improve the accuracy of county administrative and outreach reporting for the Low-Income Energy Assistance Program by (a) ensuring counties use an approved time reporting method, (b) developing and disseminating guidelines on the appropriate uses of administrative funds, (c) continuing to emphasize to county program and fiscal staff the importance of appropriately coding administrative expenditures, (d) requiring documentation for overexpenditures, and (e) reassessing methodology for allocating funds.

Implemented.

2002 Single Audit
Rec. No. 86

Improve Low-Income Energy Assistance Program oversight by (a) developing a monitoring plan, (b) enforcing the corrective action plan requirement and following up on the plans in a timely manner, (c) monitoring benefit payments made to utility vendors, and (d) maintaining better communication with the Field Audits Section.

Parts a. and b: Implemented.

Part c: The Department disagreed with this part of the recommendation and did not implement it.

Part d: Implemented.

2002 Single Audit
Rec. No. 87

Improve oversight of Crisis Intervention Program (CIP) funds by (a) requesting counties randomly follow up with CIP recipients, (b) requiring service providers to submit detailed invoices that include a client signature, and (c) periodically contracting with private vendors to inspect a sample of CIP homes.

Parts a. and b: Implemented.

Part c: The Department disagreed with this part of the recommendation and did not implement it.

**Report and
Rec. No.**

Recommendation

Disposition

2001 Single Audit
Rec. No. 11

Record expenditures within the proper appropriations, and reverse unused accounts payable accruals.

Not implemented. We noted that the Department did not revert unused accounts payable accruals timely for a sample of five reporting categories. See also current year Recommendation No. 6.

2001 Single Audit
Rec. No. 12

Improve controls over fixed assets by (a) completing quarterly reconciliations between fixed asset expenditures and additions to fixed assets and (b) correcting identified errors on the COFRS prior to fiscal year-end.

Not implemented. Five state and veterans nursing homes within the Department did not prepare quarterly fixed asset reconciliations during the year. In addition, we identified problems with year-end reconciliations prepared by other Department divisions. See current year Recommendation No. 7.

2001 Single Audit
Rec. No. 67

Improve inventory controls for the Food Distribution Program by (a) resolving identified discrepancies and (b) developing formal procedures for tracking commodities.

Not implemented. The Department did not provide sufficient documentation showing the reconciliation of inventory discrepancies. Further, although the Department has informally developed procedures for tracking commodities, they have not documented these procedures.

**Report and
Rec. No.**

Recommendation

Disposition

2001 Single Audit
Rec. No. 80

Work with the Department of Health Care Policy and Financing to identify the most cost-effective methods for having financial compliance reviews completed more frequently.

Not implemented. The Department of Health Care Policy and Financing reports that it has been unable to secure funding to conduct financial compliance reviews for all Single Entry Point (SEP) agencies due to budget constraints.

2000 Single Audit
Rec. No. 12

Improve the audit process for the purchasing card program by (a) performing monthly reviews of transactions or cardholder, (b) documenting audit procedures, and (c) enforcing disciplinary action when necessary.

Ongoing. The Department has documented and instituted a monthly review process over purchasing card transactions and is enforcing disciplinary action when necessary.

1997 Single Audit
Rec. No. 9

The Division of Vocational Rehabilitation should (a) examine the types of services it purchases and develop a process for competitively bidding those services, and (b) work with the Division of Purchasing to ensure that its new procedures comply in all respects with purchasing requirements.

Deferred. We continue to have concerns regarding payments to one provider.

**Report and
Rec. No.**

Recommendation

Disposition

Division of Child Welfare Services

2002 Single Audit
Rec. No. 88

Ensure the State is in compliance with federal and state requirements regarding adoption subsidy payments after children reach the age of 18.

Partially implemented. The Department has developed and communicated written policies to the counties regarding adoption assistance subsidy payments for children over 18 and implemented a schedule for monitoring adoption subsidy payments on a regular basis. However, while the Department has made some efforts to determine whether subsidy payments are owed to the federal government for ineligible individuals, the Department needs to take additional steps toward resolving this issue.

2002 Single Audit
Rec. No. 89

Improve how counties handle adoption subsidies when children are temporarily placed out of their adoptive homes.

Implemented.

Division of Child Support Enforcement

2000 Single Audit
Rec. No. 62

Continue to work with the counties that are not in compliance with state child support regulations, and impose sanctions on those counties that have ongoing problems with compliance and that do not make good faith efforts to improve.

Ongoing. The Department is continuing to review case files on an annual basis and to consider the need for sanctions.

**Report and
Rec. No.**

Recommendation

Disposition

Department of Labor and Employment

2002 Single Audit Rec. No. 4	Perform a comparison of actual collections received for overpayments to the percentages used to adjust the allowance for doubtful accounts on an annual basis and adjust the percentages as necessary.	Implemented.
2002 Single Audit Rec. No. 5	Maintain copies of detail listings of all benefit overpayment accounts at fiscal year-end.	Implemented.
2002 Single Audit Rec. No. 6	Ensure that the “genesis!” system will generate reports listing benefits payable at any point in time and use this information to record benefits payable on the State's financial system.	Deferred. The “genesis!” system is scheduled to be put into place in Fiscal Year 2004.
2002 Single Audit Rec. No. 7	Ensure that reconciliations between all workers' compensation information systems and the State's accounting system are performed on at least a quarterly basis throughout the year and that any discrepancies between systems are resolved on a timely basis.	Implemented.
2002 Single Audit Rec. No. 90	Work with the State Treasurer to ensure that its draw methods and funding techniques achieve interest neutrality with the federal government.	Deferred. Amendments to the Treasury-State Agreement are effective for Fiscal Year 2004.

**Report and
Rec. No.****Recommendation****Disposition**

2001 Single Audit
Rec. No. 81

Improve coordination efforts between Welfare-to-Work, Temporary Assistance for Needy Families (TANF), and other employment programs in the State.

Partially implemented. The Department has prepared a Memorandum of Understanding (MOU) with the Departments of Corrections, Human Services, and Public Safety. However, the current MOU provided by the Department does not contain the signature of the Executive Director of the Department of Human Services.

2001 Single Audit
Rec. No. 83

Improve how the State's Welfare-to-Work programs are monitored.

Deferred to Fiscal Year 2004.

Department of Military and Veterans Affairs

2001 Single Audit
Rec. No. 15

Improve oversight of financial activity, and ensure controls over accounting functions are adequate.

Implemented.

2001 Single Audit
Rec. No. 16

Reduce delays in processing transactions.

Implemented.

2001 Financial
Review. #1404
Rec. No.1

Improve oversight of financial activity, and ensure controls over accounting functions are adequate.

Implemented.

**Report and
Rec. No.****Recommendation****Disposition**

2001 Financial
Review. #1404
Rec. No. 2

Reduce delays in processing transactions by streamlining the vendor payment and federal approval process. In addition, the Accounting Department should record changes in fixed assets annually.

Implemented.

2001 Financial
Review. #1404
Rec. No. 3

Improve controls over payroll.

Implemented.

2001 Financial
Review. #1404
Rec. No. 4

Obtain advances on federal projects.

Implemented.

2001 Financial
Review. #1404
Rec. No. 5

Ensure that the Tuition Assistance Office is notified prior to the discharge of soldiers so that any refunds due can be collected.

Partially implemented. In most instances, the Department is informed prior to the discharge of soldiers, either through electronic means or quarterly reports. However, when soldiers leave duty without authorization, it may be months before the Tuition Assistance Office is informed by the federal government of the status. The Department will continue to work with the federal government to expedite the notification process to the extent possible.

**Report and
Rec. No.****Recommendation****Disposition**

2001 Financial
Review. #1404
Rec. No. 6

Move the control over all Department receivables into the Accounting Section to allow for adequate segregation of duties and the prompt deposit of receipts.

Implemented.

2001 Financial
Review. #1404
Rec. No. 7

Proceed with testing of downloading capabilities of the State purchasing card to facilitate the timely coding of charges.

Implemented.

Department of Natural Resources

2002 Single Audit
Rec. No. 8

Improve the administration and monitoring of the procurement card program by ensuring that (a) all monthly procurement card statements are reviewed and signed by both the employee and the approving official, (b) all employees and approving officials have signed cardholder agreement and/or approving official forms, and (c) reviews of procurement card statements are performed in accordance with policy.

- a. Implemented.
- b. Implemented.
- c. Partially implemented. The Department established monitoring procedures to ensure that reviews of procurement card statements are performed. However, at the time of our audit, a complete review of the Fiscal Year 2003 statements had not been performed.

**Report and
Rec. No.**

Recommendation

Disposition

2002 Single Audit
Rec. No. 9

Improve controls over capital assets by (a) performing an annual physical inventory at all of its locations; (b) establishing reasonable useful lives for original assets and additions to those assets based upon its own experience and documented assumptions and ensuring that the useful lives of improvements are the same as or less than the original asset; (c) raising its capitalization thresholds to the levels recommended by the State Controller's Office, or establishing other reasonable thresholds based upon documented experience; and (d) making the proper adjustments to the State's accounting system based upon the results of its physical inventory, its review of established useful lives, and its reevaluation of capitalization criteria.

- a. Not implemented. See current year Recommendation No. 14.
- b. Implemented.
- c. Implemented.
- d. Partially implemented. See current year Recommendation No. 14.

State Board of Land Commissioners

2002 Single Audit
Rec. No. 10

Improve surface lease procedures and systems through the following: (a) continuing to streamline its lease renewal process in order to reduce or eliminate the backlog, (b) billing for back rents on expired leases based upon the "hold-over tenant" concept, (c) recording revenue in the proper fiscal year, and (d) implementing the new State Asset Management (SAM) system as soon as possible.

Parts a, b, and c: Deferred. The Division implemented the SAM system during Fiscal Year 2003 and is currently in the process of analyzing system reporting capabilities and gathering comparison data.

Part d: Implemented.

Division of Wildlife

2002 Single Audit
Rec. No. 11

Request reimbursement for its Great Outdoors Colorado-related expenditures on a monthly basis.

Implemented.

**Report and
Rec. No.**

Recommendation

Disposition

2002 Single Audit
Rec. No. 12

Improve controls to reduce the number of cancelled payments by (a) ensuring vendor information is correct before issuing payments to vendors, (b) documenting the reason for cancelling a warrant on the original payment voucher, and (c) determining the reason for recurring problems with payment vouchers and strengthening management controls to prevent them from occurring in the future.

Implemented.

2001 Single Audit
Rec. No. 18

Improve controls to reduce the number of cancelled payments by (a) ensuring applicant information is correct, (b) cross-checking between returned limited license refund checks and returning applicants, and (c) following up on returned limited license refunds.

Deferred. The Division implemented the Total Licensing System in fall 2003 but has not completely implemented the system reporting capabilities and functions.

2000 Single Audit
Rec. No. 22

Improve controls over license inventory by reducing excess license inventories and tracking voided licenses separately.

No longer applicable. With the implementation of the Total Licensing System, license inventories no longer exist because the system generates licenses at the point of sale.

Water Conservation Board

1998 Audit #1132
Rec. No. 1

Set forth goals and objectives for managing the Construction Fund Loan Program, closely monitor the progress of implementing procedures that will improve Program operations, and make periodic reports on the progress of improvements to interested parties.

Implemented.

**Report and
Rec. No.**

Recommendation

Disposition

1998 Audit #1132 Rec. No. 2	Improve its methods for estimating the receipts and disbursements, assess the effectiveness of its marketing strategies, and work with the General Assembly to make statutory changes needed to reduce the cash balance of the Construction Fund.	Implemented.
1998 Audit #1132 Rec. No. 3	Require applicants to provide evidence that they have explored other funding sources prior to approving the use of Construction Fund monies.	No longer applicable. House Bill 02-1152 eliminated the requirement that applicants explore other funding sources before applying for the loans.
1998 Audit #1132 Rec. No. 4	Ensure that all projects receiving funding through the Program clearly adhere to the funding priorities established by statute, or seek statutory changes.	Implemented.
1998 Audit #1132 Rec. No. 5	Establish reasonable time limits for project sponsors to expend project funding.	Implemented.
1998 Audit #1132 Rec. No. 7	Identify all feasibility study loans made before 1993, determine their status, and initiate repayment processes if appropriate.	No longer applicable. The Colorado Water Conservation Board wrote-off outstanding feasibility study loans made prior to 1993 as the projects have not been built, and therefore, the loans have reverted to grant status. Senate Bill 01-157 created a grant fund in the amount of \$200,000 for feasibility studies.

Report and Rec. No.	Recommendation	Disposition
1998 Audit #1132 Rec. No. 8	Develop and implement a systematic method for quantifying and weighing the relative creditworthiness and financial need of potential loan recipients.	Implemented.
1998 Audit #1132 Rec. No. 9	Ensure collateral for loans adequately protects the State's interests in the event of a borrower's default on its loan obligation.	Implemented.
1998 Audit #1132 Rec. No. 10	Ensure that all security documents are filed in a timely manner, and develop reliable systems to monitor compliance with filing requirements.	Implemented.
1998 Audit #1132 Rec. No. 11	Ensure that borrowers comply with requirements to carry general liability insurance.	Not implemented. See current year Recommendation No. 16.
1998 Audit #1132 Rec. No. 12	Establish a process for reviewing each loan prior to disbursing project funds and at various times thereafter.	Partially implemented. The Colorado Water Conservation Board (CWCB) has established a process for reviewing each loan prior to disbursing project funds. However, the CWCB should improve its monitoring of borrowers' compliance with liability insurance requirements. See current year Recommendation No. 16.
1998 Audit #1132 Rec. No. 13	Improve procedures for maintaining loan records, including developing a consistent, centralized filing system.	Implemented.

Report and Rec. No.	Recommendation	Disposition
1998 Audit #1132 Rec. No. 14	Ensure that borrowers receive bills that are timely and accurate.	Implemented.
1998 Audit #1132 Rec. No. 15	Formally adopt policies and procedures for handling loan collection problems.	Implemented.
1998 Audit #1132 Rec. No. 16	Work with the Attorney General and State Controller to expand the use of boilerplate contracts; develop monitoring procedures to ensure contracts are amended in a timely manner; and consider adopting a two-phase contracting process.	Implemented.
1998 Audit #1132 Rec. No. 17	Work with the Department of Natural Resources' Accounting Section to improve accounting procedures and strengthen internal controls.	Implemented.
1998 Audit #1132 Rec. No. 18	Consider staffing changes and other alternatives to correct accounting deficiencies.	Implemented.

**Report and
Rec. No.**

Recommendation

Disposition

Department of Personnel and Administration

2002 Single Audit
Rec. No. 13

Improve the payroll function by (a) segregating the payroll processing and reconciliation duties, (b) reviewing employee personnel files and reconfirming that withholding documentation is accurate and complete, (c) implementing adequate supervisory reviews over the payroll calculation, and (d) ensuring adequate compensating controls are in place if payroll duties are not segregated.

- a. Implemented.
- b. Partially implemented. The Department requested employees to submit new withholding documentation in order to update personnel files; however, discrepancies were noted between the documentation in the files and what was recorded in the Colorado Personnel Payroll System. See current year Recommendation No. 17.
- c. Implemented for monthly payroll. Deferred for biweekly payroll. We found one out of 26 biweekly payrolls were incorrectly calculated. The Department no longer has any biweekly payroll.
- d. Implemented.

2002 Single Audit
Rec. No. 14

Implement procedures to review Central Collections' supporting documentation prior to approval of payments.

Implemented.

**Report and
Rec. No.**

Recommendation

Disposition

2002 Single Audit
Rec. No. 15

Properly classify revenue for TABOR purposes.

Implemented.

2001 Single Audit
Rec. No. 20

Monitor sick and annual leave on a statewide basis by (a) reviewing the adequacy of leave tracking systems and (b) establishing a project schedule and deadlines for implementing a statewide automated leave system.

- a. Deferred. During Fiscal Year 2002 the Department developed an audit schedule to review agencies' leave tracking systems. Audits of 19 agencies were started in Fiscal Year 2003, and it is anticipated that these audits will be completed by March 31, 2004.
- b. Deferred. Due to the current economic status of the State, agencies cannot afford to implement a new leave tracking system. Thus, Personnel has not been able to establish a reliable project schedule.

**Report and
Rec. No.**

Recommendation

Disposition

State Controller's Office

2002 Single Audit
Rec. No. 16

Refine the methods used to compile the statement of cash flows and the statement of revenues, expenses, and change in fund net assets by (a) working with higher education institutions to develop a consistent interpretation of Governmental Accounting Standards Board Statement No. 9 to be used in categorizing accounting transactions in the statement of cash flows, and (b) assisting the Colorado Student Obligation Bond Authority to ensure that transactions are properly categorized and reported.

- a. Implemented.
- b. Partially implemented. The State Controller's Office continues to work with the Colorado Student Obligation Bond Authority to develop consistency of reporting in the statement of cash flows. See current year Recommendation No. 4.

State Archives

2001 Single Audit
Rec. No. 26

Work with the General Assembly to establish standards for records management.

Implemented.

2001 Single Audit
Rec. No. 27

Require the submission of inventory listings of records stored and storage space used from each agency.

Deferred. During the 2003 legislative session Senate Bill 03-33 was passed, which gave agencies until January 2004 to provide an inventory listing to State Archives.

2001 Single Audit
Rec. No. 28

Improve communication regarding (a) records management policies and procedures, (b) purging and destroying records, and (c) maintenance and storage of records.

Implemented.

**Report and
Rec. No.****Recommendation****Disposition**

2001 Single Audit
Rec. No. 29

Convert the current cataloging system from a paper to an electronic format.

Partially implemented. The Division converted the cataloging system for four departments into an electronic format, representing about 5 percent of the total record indexes. Due to budget constraints, further actions to purchase professional services to convert the cataloging system or create a cataloging system have not been pursued.

2001 Single Audit
Rec. No. 30

Ensure that training is available to all agencies by (a) taking steps to publicize the type and nature of training that is available and (b) conducting general training sessions for all agency records officers.

Implemented.

Department of Public Health and Environment

2002 Single Audit
Rec. No. 91

Work with the State Treasurer to ensure that the next amendment to the Treasury-State Agreement reflects the cash draw methods and funding techniques that achieve interest neutrality with the federal government.

Implemented.

1999 Single Audit
Rec. No. 20

Assemble a team with appropriate representatives to define the procedures for documenting application events, vendor responses, and communicating information. The team should follow up and report on findings of the Post-Implementation Review.

Implemented.

**Report and
Rec. No.**

Recommendation

Disposition

Department of Regulatory Agencies

2002 Single Audit Rec. No. 17	Establish and maintain analytical review procedures over revenue for the Department's divisions and commissions, and investigate significant variations.	Partially implemented. See current year Recommendation No. 21.
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Department of Revenue

2002 Single Audit Rec. No. 18	Develop controls to ensure that future Taxpayers Bill of Rights (TABOR) credits are claimed and received only by eligible individuals by (a) identifying and billing individuals who were ineligible to claim TABOR credits; (b) implementing a methodology to verify taxpayers' federal adjusted gross income at the time a credit is claimed and to ensure that taxpayer's federal adjusted gross income at the time a credit is claimed; and (c) processing only complete returns, or evaluating alternative methods of ensuring that only qualifying credits are claimed, should the taxpayer fail to submit the required schedules.	a. Partially implemented. The Department began billing and assessing taxpayers who were ineligible for TABOR credits during Fiscal Year 2003 and will continue to do so in Fiscal Year 2004. b. Deferred. The Department plans to implement the recommendation in years in which a TABOR surplus exists. Tax year 2003 did not have a TABOR surplus. c. Deferred. The Department is in the process of determining the feasibility of modifying the tax forms for the 2004 tax year.
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**Report and
Rec. No.**

Recommendation

Disposition

2002 Single Audit
Rec. No. 19

Enhance controls over manual adjustments made to taxpayer returns by (a) performing reviews of data entered into its system on all returns with income of \$10 million or more, (b) developing procedures for reviewing manual adjustments to tax returns made by the Problem Resolution Unit, and (c) ensuring that staff making manual adjustments to tax returns do not improperly override system-generated letters to taxpayers.

Deferred. The Department began programming modifications, which it expects to have in place for the 2004 tax processing season. Audit software has been purchased to enable the Department to perform risk assessments on manual adjustments to tax returns.

2002 Single Audit
Rec. No. 20

Develop and implement procedures to review charitable contribution deductions claimed by taxpayers.

Deferred. The Department plans to implement the recommendation in years in which a Taxpayers Bill of Rights (TABOR) surplus exists. Tax year 2003 did not have a TABOR surplus.

2002 Single Audit
Rec. No. 21

Resolve outstanding check issues to ensure that taxpayers receive their personal property tax refunds in a timely manner by working with the General Assembly to extend legislation to allow personal property tax refunds to be turned over to the Treasurer's Unclaimed Property Section.

Deferred. The Department plans to introduce legislation during the current session to allow personal property tax refunds to be turned over to the Treasurer's Unclaimed Property Section.

**Report and
Rec. No.**

Recommendation

Disposition

2000 Single Audit
Rec. No. 33

Improve the existing wage withholding accrual methodology so that the Department is consistently accruing taxes through June 30.

No longer applicable. After collaboration with the Office of State Planning and Budgeting, Legislative Council, and the State Controller's Office, the Department has determined that the existing wage withholding accrual methodology consistently accrues taxes.

Office of the State Treasurer

2002 Single Audit
Rec. No. 92

Obtain and use the most current and accurate information available on federal program expenditures to annually amend the Treasury-State Agreement.

Partially implemented. Treasury used the most current schedule of federal awards; however, Treasury needs to improve communication with the state agencies regarding changes.

2002 Single Audit
Rec. No. 93

Define the terms and methods used to establish funding techniques and draw patterns and provide to each department subject to the Agreement.

Partially implemented. Based on discussions with Treasury, the Department conducted meetings with the various state agencies to communicate funding techniques and draw patterns and to answer questions. However, based on audit results, issues noted during our Fiscal Year 2002 audit still exist.

**Report and
Rec. No.****Recommendation****Disposition****Department of Transportation**

2002 Single Audit Rec. No. 22	Analyze invoices received for the costs incurred on construction projects, and record appropriate costs in accordance with the terms of the contracts.	Implemented.
2002 Single Audit Rec. No. 23	Ensure the proper recording of capital assets.	Implemented.
2001 Single Audit Rec. No. 37	The Department should (a) ensure that leases are properly classified as operating or capital, (b) evaluate the completeness and accuracy of the operating lease summary, and (c) review the operating lease summary for accuracy at year-end.	Implemented.
2001 Single Audit Rec. No. 90	Require field engineers to provide written communication of the number of interviews performed, as well as anticipated future interviews.	Implemented.
1999 Single Audit Rec. No. 22	Transfer custody of the credit card reconciliation program to the Information Technology Division and maintain it in accordance with the Department's procedures.	Not implemented. See current year Recommendation No. 25.